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Suite 1260  
Washington, DC 20036  
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ORIGINAL

November 22, 1999

VIA HAND DELIVERY

Ms. Magalie Roman Salas  
Secretary  
Federal Communications Commission  
445 12<sup>th</sup> Street, S.W. Room TW-A325  
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: Winstar Communications, Inc.; WT Docket No. 99-217, CC Docket No. 96-98

NOTICE OF WRITTEN EX PARTE PRESENTATION

Dear Sir/Madam:

On November 19, 1999, on behalf of *Winstar Communications, Inc.* ("Winstar"), I submitted to Commissioner Michael K. Powell the attached written ex parte presentation. Pursuant to Section 1.1206(b) of the FCC's rules, 47 C.F.R. § 1.1206(b), I am filing with the Secretary four copies of the *ex parte* presentation.

Should there be any questions regarding the above, please do not hesitate to contact the undersigned at 202-833-5678.

Very truly yours,

Joseph M. Sandri / JS

Joseph M. Sandri, Jr.  
VP & Regulatory Counsel

Enclosures

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1615 L Street, NW  
Suite 1260  
Washington, DC 20036  
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November 19, 1999

The Honorable Michael K. Powell, Commissioner  
Federal Communications Commission  
The Portals  
445 12th Street, S.W.  
Suite 8A204A  
Washington, D.C. 20554

**Re: WT Docket No. 99-217; CC Docket No. 96-98; WRITTEN EX PARTE  
PRESENTATION**

Dear Commissioner Powell:

This letter is intended to follow-up on the October 19, 1999 meeting with you attended by William J. Rouhana, Jr., Tim Graham, and the undersigned of Winstar Communications, Inc., and Phil Verveer of Willkie Farr and Gallagher, wherein we discussed the Commission's pending Competitive Networks proceeding<sup>1</sup>. I am submitting the attached information to supplement our discussion regarding the real estate industry's investments in telecommunications providers and its members' efforts to provide, directly and indirectly, telecommunications and information services to their tenants.

WinStar submits in its comments and reply comments in this proceeding that the Commission has jurisdiction over MTE owners and managers due to their ownership or control of intra-MTE wire, riser conduit, and other facilities which are "instrumentalities" of communications and are necessary for telecommunications providers to offer services to tenants in MTEs.<sup>2</sup> In addition, real estate

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<sup>1</sup> Pursuant to Section 1.1206 (b) (1) of the FCC's rules four copies of this presentation will be filed with the Secretary.

<sup>2</sup> See WinStar's Comments at 32-38; WinStar's Reply Comments, at 26-28 (WT Docket No. 99-217).



Commissioner Powell  
November 18, 1999  
Page 2

interests increasingly are actively assuming the role of telecommunications carrier by virtue of their control and/or operation of a portion of the end-to-end network. Where real estate owners and managers are providing telecommunications services to tenants (as indicated in the attached information), the Commission's jurisdiction is evident pursuant to Section 2 of the Communications Act.<sup>3</sup> Notably, at least one real estate interest, Crescent Real Estate, conceded that it possessed an equity interest in a least one carrier and acknowledged before the Texas PUC, that if a real estate owner installs and provides the intra-MTE wire that telecommunications carriers must use to reach tenants, then the owner "should have responsibility" as a telecommunications provider.<sup>4</sup> WinStar agrees.

The attached information indicates that the real estate industry is beginning to provide telecommunications services to tenants. WinStar believes this trend will continue and may have a substantial impact on its ability to gain access to MTEs because MTE owners and managers that directly or indirectly provide telecommunications services to their tenants do not have the economic incentive to afford all telecommunications providers access to their property and tenants on a nondiscriminatory basis. As such, the Commission must implement a nondiscrimination requirement on all MTE owners and managers which will afford all telecommunications providers access to an MTE once one provider is afforded access.

Sincerely,

Joseph M. Sandri, Jr.  
Vice President & Regulatory Counsel  
WinStar Communications, Inc.

Enclosures

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<sup>3</sup> The Communications Act of 1934, as amended, applies to "all persons engaged in [interstate and foreign] communication or such transmission of energy by radio . . . ." See 47 U.S.C. § 152.

<sup>4</sup> See Workshop PUC Docket No. 21400, Texas Public Utilities Commission (Oct. 26, 1999).

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## BroadBand Office

BroadBand Office is a consortium of eight large real estate companies and a venture capital firm, Kleiner Perkins Caufield and Byers, that provides bundled telecommunications services, including local and long distance voice, dedicated Internet access, remote access, advanced Internet services, and video services, to small and mid-sized businesses in office buildings.<sup>1</sup>

The eight real estate companies that have an equity interest in BroadBand Office have agreed to provide BroadBand Office access to their respective office property portfolios. These companies include Carr America Realty Corporation, Crescent Real Estate Equities Company, Duke-Weeks Realty Corporation, Equity Office Properties Trust, Highwoods Properties, Inc., the Hines Organization, Mack-Cali Realty Corporation, and Spieker Properties, Inc.<sup>2</sup>

Inter@ctive Week recently reported that BroadBand Office "plans to build a national broadband network that will be introduced into the buildings owned by its partner realty companies. Those building managers hope to take advantage of the fact that they already have established relationship with their tenants."<sup>3</sup>

BroadBand Office's October 5, 1999 press release announcing the consortium states that its "initial national footprint will span approximately 40 percent of all of the office space owned by REITs [real estate investment trusts] in the United States . . . [and its] presence will span nearly every major metropolitan area of the country, including the 30 largest office markets in the country and well over 2,000 office buildings."<sup>4</sup> The office buildings affiliated with BroadBand Office are premier properties across the United States. In the Washington, D.C. metropolitan area, BroadBand Office will have access to the following properties:

### Carr America Realty Corporation<sup>5</sup>

1201 F Street, N.W.  
1255 23rd Street, N.W.

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<sup>1</sup> See Information retrieved from Internet web page at <http://www.broadbandoffice.net> (attached as Exhibit 1); see also "Leading Real Estate Companies and Kleiner Perkins Create National Telecommunications Company," Press Release (Oct. 5, 1999) (attached as Exhibit 2).

<sup>2</sup> See Exhibit 2.

<sup>3</sup> See Denise Culver, "Office Landlords Stake Some Telecom Turf," Inter@ctive Week (Oct. 25, 1999) (attached as Exhibit 3).

<sup>4</sup> Id. One press article stated that the affiliated real estate companies will give other telecommunications companies access to their buildings. Scott Thurm and Barbara Martinez, "Big Landlords Are Joining Telecom Fray," Wall Street Journal (Oct. 5, 1999) (attached as Exhibit 4).

<sup>5</sup> Information retrieved from Internet web page at <http://www.carramerica.com>.

1750 H Street, N.W.  
Hamilton Square, 600 14th Street, N.W.  
International Square I, 1850 K Street, N.W.  
International Square II, 1875 Eye Street, N.W.  
International Square III, 1825 Eye Street, N.W.  
Metropolitan Square I, 655 15th Street, N.W.  
King Street Exchange I, 1600 Diagonal Road, Alexandria, Va.  
King Street Exchange III, 1661 Prince Street, Alexandria, Va.  
King Street Station I, 1800 Diagonal Road, Alexandria, Va.  
King Street Station II, 225 Reinekers Lane, Alexandria, Va.  
King Street Station III, 1725 Duke Street, Alexandria, Va.  
Two Ballston Plaza, 1110 N. Glebe Road, Arlington, Va.  
Tycon Courthouse, 2070 Chain Bridge Road, Vienna, Va.  
Rock Spring Plaza, 6550 Rock Spring Drive, Bethesda, Md.

Crescent Real Estate Equities Company<sup>6</sup>

Washington Harbour, Georgetown

Equity Office Properties Trust<sup>7</sup>

One Lafayette Centre, 1120 20th Street, N.W.  
1111 19th Street, N.W.  
1333 H Street, N.W.  
1620 L Street, N.W.  
1600 Duke Street, Alexandria, Va.  
1616 North Fort Myer Drive, Rosslyn, Va.  
1300 N. 17th Street, Rosslyn, Va.  
CenterPointe I, 4000 Legato Road, Fairfax, Va.  
CenterPointe II, 4050 Legato Road, Fairfax, Va.  
E.J. Randolph, 82510 Greensboro Drive, McLean, Va.  
Fair Oaks Plaza, Fairfax, Va.  
Jefferson Plaza, 1411 and 1421 Jefferson Davis Hwy., Arlington, Va.  
John Marshall I, 8283 Greensboro Drive, McLean, Va.  
Northridge I, Herndon, Va.  
Polk and Taylor Buildings, 2531 Jefferson Davis Hwy., Arlington, Va.  
Reston Town Center, 11921 Freedom Drive, Reston, Va.

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<sup>6</sup> Information retrieved from Internet web page at <http://www.cei-crescent.com>.

<sup>7</sup> Information retrieved from Internet web page at <http://www.equityoffice.com>.

The Hines Organization<sup>8</sup>

370 L'Enfant Promenade, 901 D Street, S.W.  
600 13th Street, N.W.  
700 11th Street, N.W.  
Columbia Square, 555 13th Street, N.W.  
Franklin Square, 1300 Eye Street, N.W.  
1001 Pennsylvania Ave.  
Rock Spring Park, 6700 Rockledge Drive, Bethesda, Md.

Mack-Cali Realty Corporation<sup>9</sup>

1201 Connecticut Avenue, N.W.  
1400 L Street, N.W.  
1709 New York Avenue, N.W.  
East Point, 4200 Parliament Place, Lanham, Md.

In addition, BroadBand Office reports that it "is engaged in further discussions with a number of other major real estate owners to expand its number of buildings served and extend the Company's dominant position in the industry."<sup>10</sup> BroadBand Office is expected to begin providing telecommunications service November 1, 1999.

**Allied Riser Communications Corporation**

Allied Riser Communications Corporation ("Allied Riser") is a facilities-based provider of broadband video, data and voice communications service to small and medium-sized businesses in 16 major metropolitan areas in the U.S.<sup>11</sup> Allied Riser designs, builds, owns and operates its fiber optic system within office buildings. Allied Riser is affiliated with Sam Zell, the Chairman of the Board of Trustees of Equity Office Properties Trust. Mr. Zell controls the managing member of a limited liability company, EGI-ARC Investors, which is a principal shareholder of Allied Riser.<sup>12</sup> In addition, Allied Riser has entered into an agreement to install its fiber optic networks in the office buildings owned and controlled by Equity Office Properties Trust.<sup>13</sup> In addition, Cornerstone Properties, Inc., a real estate investment trust ("REIT"), has

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<sup>8</sup> Information retrieved from Internet web page at <http://www.hines.com>.

<sup>9</sup> Information retrieved from Internet web page at <http://www.calirealty.com>.

<sup>10</sup> Exhibit 2.

<sup>11</sup> Information retrieved from Internet web page at <http://www.alliedriser.com>.

<sup>12</sup> See Amendment No. 4 to Form S-1 of Allied Riser Communications Corporation, Securities and Exchange Commission, 49-52 (filed Oct. 27, 1999). Excerpts from Allied Riser's Form S-1 are attached as Exhibit 5.

<sup>13</sup> Id. at 52.

made a \$1.5 million investment in Allied Riser.<sup>14</sup> Moreover, the Wall Street Journal reports that the Hines Organization also has a stake in Allied Riser.<sup>15</sup>

Allied Riser's affiliations with realty companies is an integral part of its business plan. Allied Riser's recent Form S-1 filing with the SEC states that "[i]n return for the right to deploy and maintain our networks, building owners receive a modest portion of the gross revenue we generate from tenants inside their buildings."<sup>16</sup> Allied Riser states that it "seek[s] to gain a competitive advantage by partnering with large-scale building owners and securing rights to install [its] fiber optic network inside office buildings . . . ."<sup>17</sup>

## **Equity Office Properties Trust**

Equity Office Properties Trust is an REIT and is the largest publicly-traded owner and operator of office buildings.<sup>18</sup> In addition to its interest in BroadBand Office, it recently launched its Equity Office Access business service unit that "will provide the company's tenants with access to business products and services including telecommunications . . . ."<sup>19</sup> Allied Riser Communications Corporation and WinStar Communications, Inc., among other telecommunications service providers, have reached agreement with Equity Office to provide services to Equity Office's tenants through its Access business service unit.

## **OnSite Access, Inc.**

Through the installation of digital subscriber line ("DSL") technology, OnSite Access provides broadband services to small and medium-sized businesses in office buildings in the New York City metropolitan area. Reckson Service Industries, an affiliate of Reckson Associates Realty Corp. which is an REIT that owns and leases approximately 200 office and industrial properties in the New York City metropolitan area, owns 42% of OnSite.<sup>20</sup> OnSite Access recently announced its intent to begin offering its service in the Washington, D.C. area.<sup>21</sup>

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<sup>14</sup> See Press Release of Cornerstone Properties (Sept. 9, 1999) (attached as Exhibit 6).

<sup>15</sup> See Exhibit 4.

<sup>16</sup> Exhibit 5.

<sup>17</sup> Exhibit 5.

<sup>18</sup> "Equity Office Properties Launches Business Services Division," National Mortgage News (Oct. 11, 1999) (attached as Exhibit 7).

<sup>19</sup> Exhibit 7; see also Press Release of Equity Office Properties Trust (Sept. 8, 1999) (attached as Exhibit 8).

<sup>20</sup> See Exhibit 9 (information concerning Reckson Associates Realty Corp.).

<sup>21</sup> See Melanie D. Goldman, "OnSite Access is starting to wire D.C. buildings," Washington Business Journal (Oct. 8, 1999) (attached as Exhibit 11).



## **Cypress Communications, Inc.**

Cypress Communications, Inc. ("Cypress"), is a communications service provider headquartered in Atlanta, Georgia.<sup>22</sup> Cypress provides high speed Internet access, digital desktop equipment, local and long distance phone service, voice mail, digital satellite television, and other communications services to tenants of commercial office buildings. Cypress serves 38 office buildings in Atlanta.<sup>23</sup> Nationally, Cypress serves 650 customers in 122 office buildings in Los Angeles, Chicago, Boston, Dallas, Houston, Miami, Denver, San Diego, New Orleans, Bethesda, MD, and Irvine, CA. Cypress plans to expand into New York City and San Francisco.

Cypress recently received \$53.3 million from six venture capital firms, a commercial real estate company and a merchant banking firm. Cypress' investors include: Nassau Capital LLC, a private equity and real estate fund, and Transwestern Commercial Services, a Chicago-based privately held commercial real estate company.<sup>24</sup> In addition, Beacon Capital Partners, Inc., an REIT, holds a 9.7% interest in Cypress.<sup>25</sup> Beacon Capital Partners, Inc., made its original investment in Cypress because it "believed that this was a unique opportunity to invest early in a real estate related business that was linked to tenants' growing technology needs."<sup>26</sup>

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<sup>22</sup> See Company Overview of Cypress Communications, Inc. (attached as Exhibit 11).

<sup>23</sup> See Brian Moran, "Venture Capital Deal One of Largest Ever," Atlanta Business Chronicle, at 1A (Oct. 15, 1999) (attached as Exhibit 12).

<sup>24</sup> See Exhibit 12.

<sup>25</sup> See Excerpts from Beacon Capital Partners, Inc., Form 10-Q, attached as Exhibit 13.

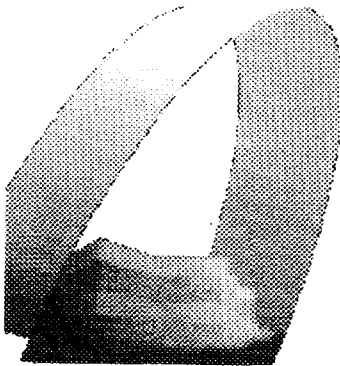
<sup>26</sup> See Exhibit 13.





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- ② **SERVICES**
- ③ **NEWS & EVENTS**
- ④ **CAREERS**
- ⑤ **CONTACT US**

**Broadband Office offers  
comprehensive telecommunications  
solutions to businesses nationally.**





- **ABOUT US**
- **SERVICES**
- **NEWS & EVENTS**
- **CAREERS**
- **CONTACT US**

## ABOUT US

As a leading provider of bundled telecommunications services, Broadband Office incorporates an experienced management team, nationwide reach, and strong tenant relationships.

Broadband Office has assembled a leadership team comprised of nationally recognized industry professionals. This team has been carefully selected based on a proven ability to design and implement next-generation telecommunications solutions at companies including MCI/Worldcom, UUNET, Level 3, Bell Atlantic, Booz-Allen Hamilton, Bell South and AT&T.

Broadband Office was founded earlier this year by the nation's premier venture capital firm, Kleiner Perkins Caufield and Byers, and a consortium of real estate companies including Carr America Realty Corporation (NYSE:CRE), Crescent Real Estate Equities Company (NYSE:CEI), Duke-Weeks Realty Corporation (NYSE:DRE), Equity Office Properties Trust (NYSE:EOP), Highwoods Properties, Inc. (NYSE:HIW), the Hines Organization, Mack-Cali Realty Corporation (NYSE:CLI) and Spieker Properties, Inc. (NYSE:SPK).

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## SERVICES

Broadband Office provides complete, bundled telecommunications services for enterprise customers. These services are augmented by industry-leading customer care and rapid service provisioning enabled by highly scalable and resilient network infrastructure with state-of-the-art network operations. The initial service portfolio includes:

**Local and Long Distance Voice Services** — competitively priced with a broad range of enhanced capabilities such as voice mail, enhanced conferencing and calling card services.

**Dedicated Internet Access** — high-speed direct connectivity to the Internet at rates up 100 Megabits per second.

**Remote Access Solutions** — allowing employees to establish access to the corporate network from remote locations.

**Advanced Internet Services including VPN, web and application hosting** — an extensive choice of resources to rapidly establish a presence on the Internet and access essential network applications.

**Video Services** — enabling sophisticated collaboration capabilities and providing business-oriented broadcast television.

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## NEWS & EVENTS

### FOR IMMEDIATE RELEASE

#### **Leading Real Estate Companies and Kleiner Perkins Create National Telecommunications Company**

— Broadband Office, Inc. to Offer Comprehensive  
Telecommunications Solutions to Businesses Nationally —

— Company to Initially Serve Nationwide Tenant  
Audience/Leverage Kleiner's Strength to Enter New Markets,  
Serve Wider Array of Business Customers —

**October 5, 1999, FAIRFAX COUNTY, VA** - Eight of the country's largest real estate companies and the nation's premier venture capital firm, Kleiner Perkins Caufield and Byers, today announced the formation of a national telecommunications company, Broadband Office, Inc. Formed over the past six months, Broadband Office brings a unique approach to the introduction and delivery of next generation telecommunications services to small to mid-sized corporations.

Designed to provide state-of-the-art high bandwidth voice and data communication services to a wide range of tenants in office buildings across the country, Broadband Office will solve a pressing telecommunications need for businesses and offer an important competitive advantage to building owners. Broadband Office will begin delivering services over the next 45 days.

Under the terms of the agreement, a consortium of real estate companies, including Carr America Realty Corporation (NYSE:CRE), Crescent Real Estate Equities Company (NYSE:CEI), Duke-Weeks Realty Corporation (NYSE:DRE), Equity Office Properties Trust (NYSE: EOP), Highwoods Properties, Inc. (NYSE:HIW), the Hines Organization, Mack-Cali Realty Corporation (NYSE:CLI) and Spieker Properties, Inc. (NYSE:SPK), will retain a meaningful ownership stake in Broadband Office and provide access to their respective office property portfolios to Broadband Office.

The real estate consortium commented: "We are extremely excited about the prospects for Broadband Office as we believe the venture offers numerous benefits to our respective tenants, shareholders and the real estate industry at large. Our

tenants will get what they've been asking for: more choice, faster turn-up of mission critical communications services, one-stop shopping and simplified billing, supported by a world-class service organization. And the founding real estate companies will benefit from a mutual ownership arrangement that demonstrates their desire to identify new avenues of growth and to serve as a conduit for the delivery of a number of services to tenants, further evidence of the power of owning real estate."

Broadband Office's initial national footprint will span approximately 40 percent of all of the office space owned by REITs in the United States and represent approximately 10 percent of the entire commercial office space market in the United States. Broadband Office's presence will span nearly every major metropolitan area of the country, including the 30 largest office markets in the country and well over 2,000 office buildings. Moreover, Broadband Office is engaged in further discussions with a number of other major real estate owners to expand its number of buildings served and extend the Company's dominant position in the industry.

Kleiner Perkins has been a founding investor in a number of the country's fastest growing and most successful businesses including @Home, America Online, Amazon.com, Ascend, Cerent, Compaq, Excite, Healtheon, Juniper Networks, Netscape, Rhythms, and Sun Microsystems.

Kleiner Perkins General Partner Kevin Compton commented: "The goal of this company is nothing less than to create the leading player in what we believe to be one of the business world's most dynamic industries -- the telecommunications industry. Kleiner Perkins is confident the competitive advantages afforded through our partners' real estate holdings and strong tenant relationships, along with our ability to broaden the market beyond that audience, will propel Broadband Office to become the dominant player in the building-centric telecommunications business."

Broadband Office's Board of Directors will consist of Kleiner partners Kevin Compton and Vinod Khosla, as well as leading executives from the telecommunications industry and the founding real estate companies. The Company is based in the Washington D.C. and the San Francisco Bay areas.

Compton further commented, "The success of Kleiner Perkins-backed industry leaders like @Home, Amazon.com, Juniper Networks and others has been predicated on our ability to attract the technology and telecommunications industry's top talent. To that end, we are currently building



what we believe will be the deepest and most talented management team in the industry & we have already assembled a broad senior executive team with prior leadership experience from MCI Worldcom, Uunet, Level 3, Booz-Allen Hamilton, Bell South, and other companies."

Businesses will be able to purchase from Broadband a comprehensive offering of increasingly important communication services from a single vendor with a minimum of complexity. Among the products the company will offer are local and long distance voice service, high speed Internet, data and video connectivity, voice and e-mail, and web hosting. Over time, these bundled services will be expanded to meet the changing telecommunication needs of tenants and to capture a greater proportion of telecommunication expenditures.

For more information on the company's products and services please visit our web site at [www.broadbandoffice.net](http://www.broadbandoffice.net)

Certain matters discussed within this press release may be deemed to be forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although it is believed the expectations reflected in such forward looking statements are based on reasonable assumptions, no assurance can be given that these expectations will be attained. Factors that could cause actual results to differ materially from expectations include, without limitation, lack of demand for service, insufficient capital, risks associated with a start-up company, contingencies in the applicable agreements, and the highly competitive nature of the telecommunications industry. Neither the Company nor any owners of the Company assume any obligation to update or supplement forward-looking statements that become untrue because of subsequent events.

- # # # -

CONTACT:  
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Sloane & Company  
(212) 446-1861

Dan Chu  
Kleiner Perkins Caufield and Byers  
(650) 233-3432

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From W\*

kleiner perkins goes tenant farming // but can realtors run a network?

## Office Landlords Stake Some Telecom Turf

By Denise Culver

Special To Inter@ctive Week

Question: What do you get when you cross a venture capital firm with

some of the country's largest real estate companies? Answer: A telecommunications company.

The world of broadband telecommunications got its newest competitor

earlier this month with the formal launch of Broadband Office (www.broadbandoffice.net). The new company, backed by Kleiner Perkins Caulfield and Byers (www.kpcb.com) and eight

building management companies, is entering the race to wire America's offices with a broadband network that will provide data and voice services.

Broadband Office has hired a team of telecom-savvy senior executives from companies such as Bell Atlantic, BellSouth, MCI WorldCom and UUnet Technologies, according to Dan Chu, vice president of business services at Broadband Office.

The new company plans to build a national broadband network that will be introduced into buildings owned by its partner realty companies. Those building managers hope to take advantage of the fact that they already have an established relationship with their tenants.

"The building owners will have a chance to provide next-generation services to their tenants. Broadband Office will benefit from the national footprint those building owners have, as well as the technical team we've put together," Chu says.

Although Chu wouldn't disclose details about the exact type of network being built or the specific services the company plans to offer, he says Broadband Office will have its first building network up and running by next month. And while he wouldn't disclose a timetable for a full network buildout, he says the company's backers account for about 10 percent of all commercial office space in the U.S.

Along with installing new wiring for broadband networks, Broadband Office will handle its own customer support and service provisioning once the building owners convince their tenants to sign up for service.

Chu insists that Broadband Office's real estate backers won't require office tenants in their buildings to buy broadband services from the company. "We believe we'll draw customers to our product through the compelling array of superior services we offer," he says. It remains to be seen how big an impact the company's arrival will have on broadband wireless service providers such as Teligent (www.teligent.com) and Winstar Communications (www.winstar.com), which need to negotiate access rights to buildings before offering their services to tenants.

The eight building management firms involved with Broadband Office are CarrAmerica Realty (www.carramerica.com), Crescent Real Estate Equities (www.cer-crescent.com), Duke-Weeks Realty (www.dukereit.com), Equity Office Properties Trust (www.equityoffice.com), Highwoods Properties (www.highwoods.com), Hines (www.hines.com), Mack-Cali Realty (www.calirealty.com) and Spieker Properties (www.spieker.com). ▲

### *The Front Runner in High-Speed Networking*



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TEKLEC, a leading provider of SS and ATM technology, has been selected by the U.S. Army to provide a network of SS and ATM technology for the U.S. Army.

TEKLEC, a leading provider of SS and ATM technology, has been selected by the U.S. Army to provide a network of SS and ATM technology for the U.S. Army.

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TEKLEC, a leading provider of SS and ATM technology, has been selected by the U.S. Army to provide a network of SS and ATM technology for the U.S. Army.



## MARKETPLACE

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## Big Landlords Are Joining Telecom Fray

By SCOTT THURM AND BARBARA MARTINEZ  
Staff Reporters of THE WALL STREET JOURNAL

Ma Bell, meet Sam Zell.

Eight of the nation's biggest office landlords, including the biggest, Mr. Zell's Equity Office Properties Trust of Chicago, are making an unusual leap into the crowded telecommunications arena. Joined by venture-capital heavyweight Kleiner Perkins Caufield & Byers, they are expected to announce today that they have formed a new company, Broadband Office, to offer their tenants both local and long-distance phone service as well as high-speed data lines.

The move signals that real-estate owners are tired of just sitting back and collecting the rent. They have amassed giant portfolios of buildings full of captive customers and are now ready to tap into some of the billions of dollars these tenants spend on various products and services.

For instance, Equity Office, which owns more than 285 properties in 23 states, has more than 320,000 people walking in and out of its buildings daily. Broadband Office's owners control 2,000 buildings, representing about 10% of the nation's offices.

The landlords are joining a big crowd in the lucrative telecommunications market, including the Baby Bells, long-distance providers, and up-start companies focused on both telephone and Internet services. Businesses spend about \$125 billion annually on telephone service, according to market researcher International Data Corp.

Amid the bewildering array of choices, backers of Broadband Office say they will appeal to tenants on simplicity, convenience and cost. They'll offer a single contact for local phone service, long-distance, and data connections. Broadband Office plans to spend as much as \$100 million during the next 12 months to install fiber-optic and other high-speed lines through its owners' buildings. The plan is to undercut prices the Bells typically charge, which can approach \$1,000 a month for a single high-speed data line. Broadband says new users will have to wait a matter of days, not weeks, to get its service.

"This is a way of bundling services under one provider that only focuses on business customers," said Craig Vought, co-chief executive of Spieker Properties Inc., of Menlo Park, Calif., one of the new company's owner-members.

Broadband Office will have one clear advantage over outside telecommunications suppliers: When the property owners who also own stakes in Broadband Office sign up new tenants, they will refer them to the new service. The backers

Please Turn to Page B4, Column 4

# Office Owners Are Joining Telecom Fray

*Continued From Page B1*

say they won't force tenants to use Broadband Office and will give other telecommunications companies access to their buildings.

The assurances may help address complaints from upstart phone companies, who say some landlords have sweetheart deals with established telephone companies and drag their feet or deny access altogether to new telephone-service providers. The Federal Communications Commission is considering whether to force landlords to allow all telecom providers access to their buildings.

"We are still leaving with our tenants total flexibility in how they obtain their service," said Staman Ogilvie, executive vice president of Hines, a Houston owner of 80 buildings and another partner in Broadband Office.

Both Hines and Equity Office have

stakes in a rival venture, Allied Riser Communications Corp., of Dallas, which filed for an initial public stock offering in August. Indeed, Mr. Ogilvie said Hines is aligned with both Broadband Office and Allied Riser to promote competition. More services at lower prices, the landlords hope, will attract more tenants willing to pay big rents.

Backers say Broadband Office expects to raise \$50 million to \$100 million in equity to install equipment and wire buildings during the next year. Although Broadband Office officials say they hope to sign up other more equity investors, for now Kleiner Perkins is the only one. The property owners received undisclosed stakes in Broadband Office in exchange for the access and tenant references.

Eventually, the company's backers would like to take the company public. Dan

Chu, an associate partner at Kleiner Perkins, will be Broadband Office's director of business development. Kleiner Perkins's other telecommunications investments include America Online Inc., AtHome Network, a unit of of Excite At Home Corp., and Juniper Networks Inc.

Mr. Chu says Broadband Office expects to begin offering service on Nov. 1. The company has recruited executives from MCI WorldCom Inc., BellSouth Corp., and Level 3 Communications Inc. It still is seeking a CEO.

Meanwhile, Allied Riser has raised \$117 million from Goldman Sachs & Co. and other investors and hopes to raise \$232 million more via its IPO. Another player, OnSite Access, New York, has raised \$60 million from venture-capital firms and AT&T Corp.'s AT&T Ventures. Allied Riser and OnSite Access focus mainly on high-speed Internet access.



## **Allied Riser Communications Corp.**

**Excerpts from Amendment No. 4 to Form S-1, Dated October 27, 1999**

### **PROSPECTUS SUMMARY**

#### **Business strategy**

**Partner with real estate owners.** We provide real estate owners with a new amenity to assist their leasing and tenant retention efforts and share with them a modest portion of the revenue that we generate from tenants in their buildings.<sup>1</sup>

### **RISK FACTORS**

**In-building competitors.** ... Each building in which we have not built a network is particularly vulnerable to competitors. It is not clear whether it will be profitable for two or more different companies to operate broadband networks within the same building. Therefore, it is critical that we build our networks in additional buildings quickly. Once we have done so, if a competitor installs a network in the same building, it is likely that there will be substantial price competition.<sup>2</sup>

**Legislation and government regulation could adversely affect us.** ... Although we believe the services we provide today are not subject to substantial regulation by the FCC or the state public utilities commissions, changes in regulation or new legislation may increase the regulation of our current services ....<sup>3</sup>

### **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

#### **Factors affecting future operations**

**Network services revenue.** ... We generally enter into long-term, non-exclusive contracts with the owners and managers of portfolios of office buildings to permit us to construct and operate these networks within their buildings. In return for the right to deploy and maintain our networks, building owners receive a modest portion of the gross revenue we generate from tenants inside their buildings ...<sup>4</sup>

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<sup>1</sup> *Prospectus Summary*, Business Strategy, p. 3.

<sup>2</sup> *Risk Factors*, In-building competitors, p. 8.

<sup>3</sup> *Risk Factors*, Legislation and government regulation ..., p. 12.

<sup>4</sup> *Management's Discussion* ..., Network services revenue, p. 21.



**Network operations.** ... In exchange for access rights from building owners, we pay building owners a modest portion of the revenue that we generate from tenants inside their buildings. The fee we pay building owners varies proportionally with revenues generated in the respective buildings ...<sup>5</sup>

## **BUSINESS**

**Strategy.** Our objective is to be the primary provider of broadband communications services to our target market. To achieve this objective we will employ the following strategies:

**Partner with real estate owners.** We seek to gain a competitive advantage by partnering with large-scale building owners and securing the right to install our fiber-optic networks inside office buildings that meet our strategic criteria. We believe that having our services available in a building assists the building owner in its tenant leasing and retention efforts. We generally target buildings with more than 100,000 rentable square feet and 10 or more tenants. We have already secured access to more than 1,000 office buildings with aggregate rentable space of more than 325 million square feet. We provide real estate owners a modest portion of the revenue we generate from tenants in their buildings. ...

**Own the key elements of the local broadband network.** We strive to be the first broadband communications provider that owns the critical first mile fiber-optic connection in the buildings we target. While local and long distance broadband capacity has recently become readily available from a wide variety of providers, in-building fiber-based broadband capacity is typically not available. We believe that our in-building broadband networks are highly valuable because they allow us to provide scalable, ultra-high speed communications services to the businesses we target.<sup>6</sup>

### **Network architecture**

**Fiber-optic facilities inside buildings.** Inside of our network buildings, we design, install, own and manage a fiber-optic infrastructure that typically runs from the basement of the building to the top floor inside the building's vertical utility shaft. This fiber-optic infrastructure is designed to be capable of carrying data and voice traffic for all the building's tenants for the foreseeable future. We initiate service for our customers by connecting a fiber-optic cable from a customer's local area network to the fiber in the vertical utility shaft. Our

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<sup>5</sup> *Management's Discussion ...*, Network operations, p. 22.

<sup>6</sup> *Business, Strategy*, p. 32-33.

customer then has dedicated and secure access to our network using a link known as an Ethernet connection. Ethernet connections generally permit the transmission of ten million bits of data per second, and can transmit as much as one billion bits of data per second.<sup>7</sup>

**Our competitive advantage.** ... We believe that our fiber-optic-based solution is generally superior for most of our target customers because our network provides:

- consistent speed and quality of signal that does not vary with distance of the building from our metropolitan hub or environmental factors such as rain; ...<sup>8</sup>

### **Marketing and sales**

**Marketing strategy.** ... Prior to marketing in a building, we conduct a detailed customer analysis with the help of the building owner. ... We also attempt to work close with the building owners, management and leasing representatives in both our initial and ongoing marketing efforts.<sup>9</sup>

**Real estate selection and marketing.** ... We carefully target the buildings in our markets that we wish to secure rights in and then work with the owners of those buildings to negotiate a partnership that will benefit both the property owner and us.<sup>10</sup>  
...

**Arrangements with real estate owners.** Once we have selected an office building or collection of office buildings in which we would like to offer our services, we contact the property owner to secure the right to access the building and install our network. When we contact building owners, we emphasize the following benefits of partnering with us:

- we install and manage the in-building fiber-optic communications infrastructure at no cost to the building owner or manager;
- our fiber-optic infrastructure and service offerings provide building owners with a significant competitive advantage in attracting and retaining tenants;

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<sup>7</sup> *Business*, Network architecture, p. 35.

<sup>8</sup> *Business*, Our competitive advantage, p. 37.

<sup>9</sup> *Business*, Marketing and sales, p. 37-38.

<sup>10</sup> *Business*, Real estate selection and marketing, p. 37-38.

- we pay building owners a fixed rental fee or a modest percentage of the revenue we generate in the building; and ...

Our typical lease or license agreement with a building owner is for a total term of ten or more years. The agreement provides for the development of the network installation design and the approval of the construction plans and arrangements by the building owner. The agreement provides for ongoing reporting to the building owner of our network expansion as we add customers and provides for revenue sharing or fixed monthly rent.<sup>11</sup>

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<sup>11</sup> *Business*, Real estate selection and marketing, p. 39-40.